



Moody's Investors Service

Global Credit Research

Rating Update

9 MAY 2001

Rating Update: Dover (City of) NH

MOODY'S UPGRADES CITY OF DOVER, NH GENERAL OBLIGATION BONDS TO A3 FROM Baa1

RATING AFFECTS \$67.7 MILLION OF BONDS OUTSTANDING

Municipality
NH

Opinion

NEW YORK, May 9, 2001 -- Moody's Investors Service has upgraded the rating on the City of Dover (NH)'s General Obligation Bonds to A3 from Baa1 and removed the city's rating from Watchlist, reflecting Dover's steady financial improvement, supported by continued tax base growth, and a manageable debt burden. The rating upgrade affects \$67.7 million of bonds outstanding. The rating upgrade follows the New Hampshire Supreme Court decision that the statewide property tax levied for school funding is constitutional. The May 3, 2000, New Hampshire Supreme Court reversed a lower court ruling by Rockingham County Superior Court last January that the statewide property tax is unconstitutional because property assessments are calculated unevenly by New Hampshire's 234 municipalities due to unequal property assessment practices and irregular revaluations. The Supreme Court decision said that while the current assessment system has deficiencies, no systematic pattern of disproportionate taxation was shown, and therefore the statewide property tax is not unconstitutional. On March 20, 2001, Moody's placed the city's bond rating on Watchlist for a possible upgrade pending clarification of the lower court decision.

The following factors support the A3 rating with a stable outlook.

STEADY FINANCIAL IMPROVEMENT

Moody's anticipates that Dover's finances will continue to be well-managed given the city's conservative budgeting and steady increases in tax revenues. As a result of conservative budgeting of revenues and expenditures, the FY2000 General Fund balance is \$5.09 million, or a healthy 11.4% of operating revenues, up from 3.5% in 1996. While the current year budget calls for a slight fund balance drawdown to stabilize the tax rate, management expects to maintain a solid 10% reserve. Operating revenues are derived from two main sources: 65% from property taxes with average collection rates at 96%; and 19.7% from state aid for education. Schools are a department of the city, with over 50% of Dover's operating budget devoted to funding education. Approximately 11% of Dover's operating revenues (\$5 million) are provided by the statewide property tax collected since fiscal 2000. This state revenue source has stabilized the city's tax levy.

MODERATE TAX BASE GROWTH INCREASES REVENUE BASE

Moody's expects the city's tax base will continue to grow, given a strong real estate market and the availability of developable land. Dover is primarily residential (75%), with a good mix of industrial and commercial (25%) sectors. Tax base growth has resumed, ending a period of decline and stagnation, as assessed values continue to increase. City officials anticipate strong annual tax base growth, which has averaged 2.2% from 1996 to 2000 and saw an 11.1% increase due to a revaluation in 2001, will continue in the next few years primarily due to planned growth in the commercial and commercial sector. Socioeconomic indices are slightly below state averages, and full value per capita is a solid \$49,811.

DESPITE FUTURE BORROWING, DEBT BURDEN TO REMAIN MANAGEABLE

Despite future borrowing requirements, Moody's expects the city's debt position will remain manageable given a significant amount of self-supporting debt, state building aid and rapid retirement. One quarter of the city's direct debt is supported by water and sewer fund revenues, which puts the overall debt burden only slightly above average at 4.2% of full valuation. However, when adjusted for state building aid, this burden is

reduced to 3.9%. Principal is amortized at a rapid rate of 73.6% in ten years. The city expects to issue an additional \$4 million in 2002 to finance a landfill remediation project.

KEY STATISTICS

2000 Population: 26,884 (+7.4% since 1990)

1990 Per Capita Income: \$ 15,413 (96.6% of State)

1990 Median Housing Value: \$119,900 (92.7% of State)

2000 Full Valuation: \$ 1.3 billion

2000 Full Value Per Capita: \$49,811

Overall Debt Burden: 4.2%

Adjusted Overall Debt Burden: 3.9%

Payout of Principal (10 years): 73.6%

FY00 General Fund Balance: \$ 5.09 million (11.4% of General Fund revenues)

Analysts

Ed Krauss
Analyst
Public Finance Group
Moody's Investors Service

Marianna Pisano
Backup Analyst
Public Finance Group
Moody's Investors Service

Marcy S. Block
Senior Credit Officer
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1625

© Copyright 2001 by Moody's Investors Service, 99 Church Street, New York, NY 10007. All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS COPYRIGHTED IN THE NAME OF MOODY'S INVESTORS SERVICE, INC. ("MOODY'S"), AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and MOODY'S, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstance shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, any such information. The credit ratings, if any, constituting part of the information contained herein are, and must be construed solely as, statements of

opinion and not statements of fact or recommendations to purchase, sell or hold any securities. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling. Pursuant to Section 17(b) of the Securities Act of 1933, MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay MOODY'S for the appraisal and rating services rendered by it fees ranging from \$1,000 to \$1,500,000.